

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

**Date:** 12/16/2015

**GAIN Report Number:** JA5040

## **Japan**

### **Citrus Annual**

#### **A Weaker Yen Dampens Citrus Import Forecast for 2015/16**

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**Report Highlights:**

Domestic production of mandarins/tangerines and hybrids has been trending down while farmers continue to exit and consumers substitute other fruits and sweets for citrus. Retail prices of oranges, grapefruit and lemon have surged over the last two years due to a weaker yen and tight global supplies, further reducing Japanese consumption. While overall numbers remain small, increased Japanese lemon production reveals underlying consumer preferences and shifts within Japanese citrus production.

**Commodities:**

Grapefruit, Fresh

Oranges, Fresh

Orange Juice

Tangerines/Mandarins, Fresh

Lemons, Fresh

**Tangerines/Mandarins**

Tangerines/Mandarins, Fresh Market Begin Year	2013/2014		2014/2015		2015/2016	
	Oct 2013		Oct 2014		Oct 2015	
Japan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	46300	63200	46000	60900	0	60100
Area Harvested	43700	60600	43000	58400	0	57600
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total No. Of Trees	0	0	0	0	0	0
Production	896	1124	890	1070	0	1115
Imports	10	10	12	12	0	12
Total Supply	906	1134	902	1082	0	1127
Exports	3	3	3	3	0	4
Fresh Dom. Consumption	813	1041	809	989	0	1033
For Processing	90	90	90	90	0	90
Total Distribution	906	1134	902	1082	0	1127

(HECTARES) ,(1000 TREES) ,(1000 MT)

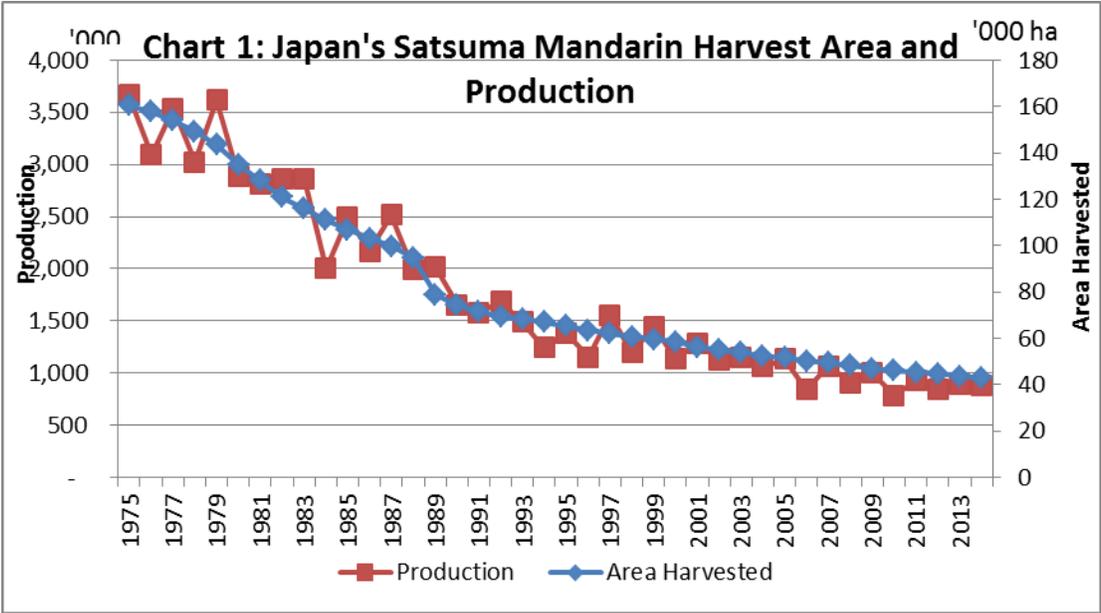
\* Estimate of number of trees was discontinued due to lack of statistics

Note: Starting with this report, Post has incorporated information regarding hybrids, such as tangors and tangelos to the existing information for Unshu mikans in the PS&D.

**Production**

Since hitting its peak of 3.7 million metric tons (MT) in 1975, Japan’s production of fresh Satsuma mandarins, also known as “Unshu mikan” or “Unshu orange”, has been in a state of general decline, reaching 874,000 MT in 2014 - less than one fourth of its peak volume, as shown in the graph and table below. During the last decade alone, production shrank by 25 percent and acreage by nearly 20 percent. The main reasons for this decline include: steady exiting of older farmers, conversion of production to other citrus varieties due to decreasing consumption of Unshu mikan, and increased availability of other fruits, including new imported varieties.

With declining Unshu mikan consumption (see “Consumption” section below), the Japanese citrus industry has been making efforts to shift production to new citrus varieties, such as tangors and tangelos, in particular those varieties harvested between December and May which are called “Chubankan” - or mid-late season citrus - including oranges. Although the total production of Chubankan has also been on the decline, production of some new varieties has been increasing by replacing old varieties. According to MAFF’s latest available data, Japanese production of Chubankan in 2012 was 278,000 MT. The National Fruit Production and Shipment Stabilization Association estimates production of Chubankan to be 220,181 MT in 2015, up one percent from the previous year but down eight percent from 2013.



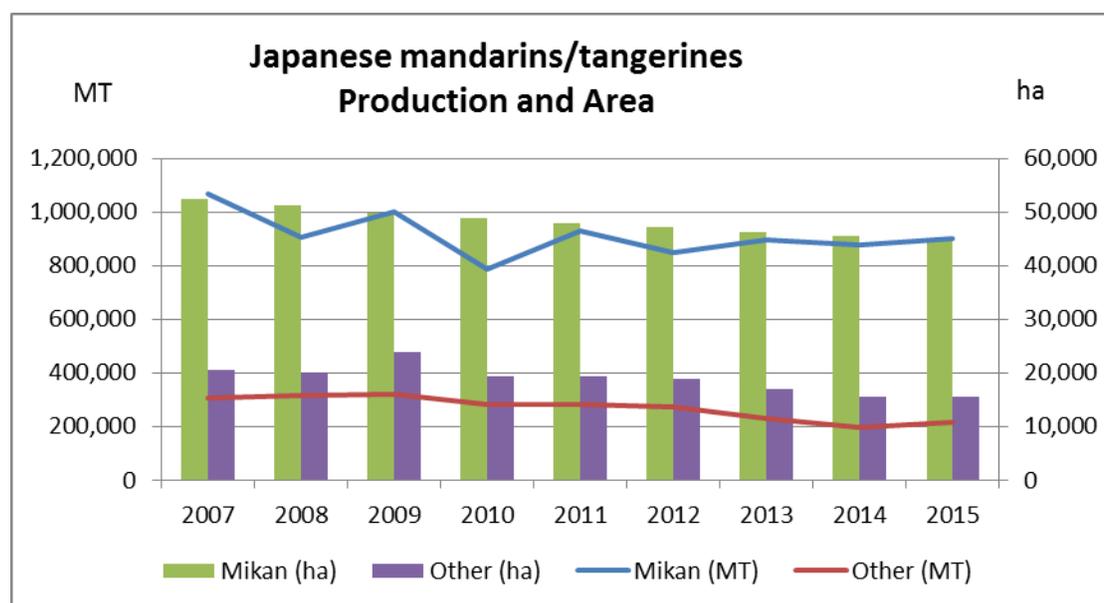
Japan’s Satsuma Mandarin Production\*

Year	Area Harvested (ha)	Production (MT)	Yield (MT/ha)	Price (yen/kg)
1975	165,000	3,700,000	22.4	-
1977	155,000	3,500,000	22.6	-
1979	145,000	3,600,000	24.8	-
1981	135,000	3,000,000	22.2	-
1983	125,000	2,800,000	22.4	-
1985	115,000	2,500,000	21.7	-
1987	105,000	2,300,000	21.9	-
1989	95,000	2,000,000	21.1	-
1991	85,000	1,800,000	21.2	-
1993	75,000	1,600,000	21.3	-
1995	65,000	1,500,000	23.1	-
1997	55,000	1,400,000	25.5	-
1999	45,000	1,300,000	28.9	-
2001	40,000	1,200,000	30.0	-
2003	35,000	1,100,000	31.4	-
2005	30,000	1,000,000	33.3	-
2007	25,000	900,000	36.0	-
2009	20,000	850,000	42.5	-
2011	15,000	800,000	53.3	-
2013	10,000	750,000	75.0	-

2005	51,500	1,132,000	21.98	148
2006	50,300	841,900	16.74	265
2007	49,300	1,066,000	21.62	164
2008	48,300	906,100	18.76	209
2009	47,000	1,003,000	21.34	153
2010	46,100	786,000	17.05	247
2011	45,300	928,200	20.49	199
2012	44,600	846,300	18.98	203
2013	43,700	895,900	20.50	214
2014	42,900	874,700	20.39	201

Source: MAFF

\*Note: Price shown is average wholesale price between September and March. 2014 data is preliminary.



Source: MAFF, National Fruit Production and Shipment Stabilization Association

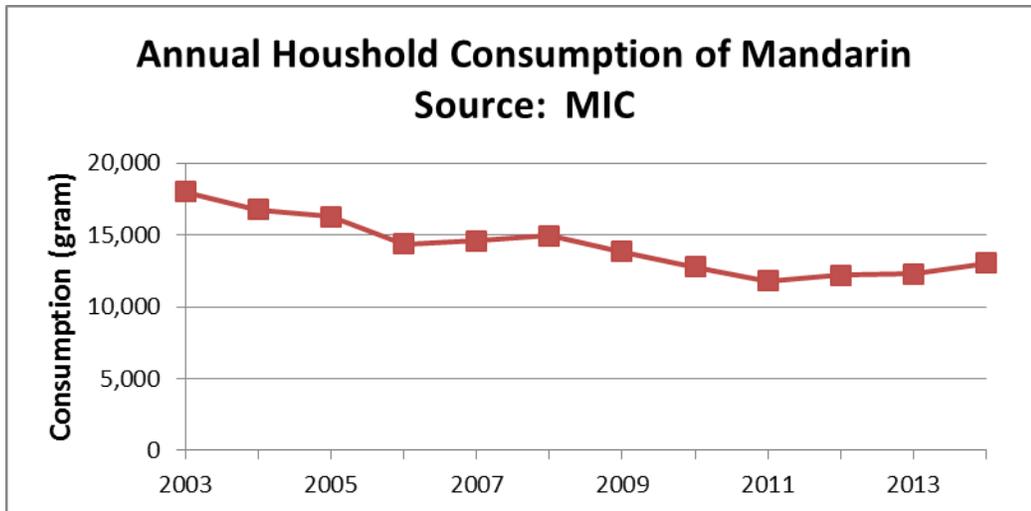
MAFF estimates that Japanese production of fresh mandarins in 2015 will be 900,000 MT, a slight increase from last season's production. Generally, mandarin trees exhibit alternating "off-" and "on-year" production cycles, meaning low and high fruit sets. However, the last several summers in Kyushu, an important producing region, have been extremely hot, which has altered this physiological cycle and shrunk the gap between "off-" and "on-year" production periods. Therefore, although MY2015/2016 will be an overall "on-year" season for Japan, because of this change in the Kyushu growing cycle, only a 20,000 MT increase from last season's production is expected for national production volumes. Incorporating the hybrid varieties, Post estimates total mandarin/tangerine production will be 1.1 million MT in 2015.

Over the last 40 years, Japan's harvested area for mandarins has declined. Mandarins are often harvested on the south side of steep hills, which provide ideal growing conditions for citrus

fruit. However, it is extremely hard for aging Japanese farmers to harvest in such locations as mandarins are mostly harvested by hand. Additionally, growers seeking a higher return on their investment are substituting mandarin trees with different citrus tree varieties, such as lemons. These factors continue to contribute to the reduction in total mandarin acreage. Thus, Post expects the acreage and production of mandarins to decline further in years to come.

## **Consumption**

According to the latest available data from the Ministry of Internal Affairs and Communications (MIC), mandarins are one of the most popular fresh fruits with Japanese consumers, representing about 16 percent of fresh fruit consumption in 2014 (note: MIC data is on calendar year basis). Almost 90 percent of commercially marketed mandarins in Japan are consumed fresh, with the remainder going to juice and canned fruit production. MIC estimates Japan's annual household consumption (two or more persons per household) of fresh mandarins was 13.0 kilograms (kg) in 2014. Although consumption appears to have somewhat stabilized since 2010, this is still nearly a 22 percent decrease from 2004. This rate of decline for mandarins was greater than that for fruit as a whole (a 15.7 percent decline, from 95.8 kg to 80.7 kg), indicating that the drop in mandarin consumption may be the result of increased availability of other fruit varieties. Another reason often cited as an underlying cause for this downward trend in mandarin consumption, and citrus consumption in general, is that Japanese consumer preferences have been shifting towards fruit that is not tart or tangy. Additionally, compared to older consumers, younger Japanese tend to eat less fruit which requires peeling. The Japanese industry has been trying to encourage consumers, particularly younger consumers, to purchase more mandarins by introducing ready-to-eat mandarin products such as cut fruit and jelly-fruit cups. As mentioned earlier, Japanese growers have been shifting production from Unshu mikan to *Chubankan* to cater to the Japanese public preference for easy to peel and sweet fruit; however their efforts have not been able to reverse the trend of declining consumption to date due to competition with other fruit and sweets. Post forecast that consumption of mandarins/tangerines and hybrid varieties will continue to decline in the future.



\*Note: "Household" consists of two or more persons per household.

## Trade (Imports)

### Japan: Imports of fresh mandarins

Marketing year: October-September / Quantity in metric tons

	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14	MY 2014/15
<b>World</b>	21,406	20,313	16,820	10,390	11,629
United States	17,650	16,635	12,351	7,550	8743
<i>Market share:</i>	82%	82%	73%	73%	75%
Australia	2,276	2,097	2,389	1,711	1,586
New Zealand	866	980	601	624	685
Chile	513	261	67	0	0
Taiwan	102	91	94	72	65
Israel	0	249	1,318	432	551

Source: Global Trade Atlas

CIF price of imported fresh mandarins (US\$/MT)

	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14	MY 2014/15
United States	1,304	1,430	1,324	1,563	1,561	1,576
Australia	1,706	1,636	1,990	1,574	1,993	1,564
New Zealand	3,828	3,469	3,839	3,424	3,732	3,122
Chile	1,857	1,725	1,475	1,653	-	-
Taiwan	2,390	2,949	3,120	3,171	2,993	2,461
Israel	-	-	2,044	1,367	1,495	1,402

In MY2014/15, with an estimated slight increase in production in the United States, imports from the United States increased slightly to 8,743 MT despite a higher CIF price. Shipping mainly Minneola tangelos from California and Arizona, the United States continued to be the largest supplier of tangerines to Japan, accounting for 75 percent of total imports in MY2014/15. Post expects imports from the United States will remain flat in MY2015/16, though restricted due to higher prices from a weaker yen.

Although Japanese traders report that U.S. Minneola tangelos have gained a good reputation among Japanese consumers as a high quality fruit which are easy to peel (similar to Japanese mandarins), Post believes that this product will need significant marketing efforts in order to leap out of the niche product category in the highly competitive Japanese citrus market.

During MY2014/15, Australia supplied 1,586 MT of Murcott mandarins to Japan. Similar to U.S. Minneola tangelos, Australian Murcott mandarins are also known for their high quality and are attaining acceptance with a segment of Japanese consumers who are inclined to try new import varieties.

Although traders expect global supplies for tangerines and mandarins to be tight in the coming year due to rising demand, for MY2015/16, Post anticipates Japanese imports of fresh mandarins to remain consistent at 12,000 MT

**Trade (Exports)**

## Japan: Exports of fresh mandarins

Marketing year: October-September / Quantity in metric tons

	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14	MY2014/15
<b>World</b>	2,216	2,577	2,545	2,998	3,302
United States	56	0	0	0	2
Market share:	3%	0%	0%	0%	0.06%
Canada	1,648	2,165	1,984	2,258	2,538
Taiwan	190	158	175	276	190
Hong Kong	205	129	219	224	300
Singapore	58	59	66	108	143
New Zealand	32	18	37	52	22
All other	84	47	64	79	107

Source: Global Trade Atlas

Japanese exports of tangerines are fairly small. In MY2014/15, Japan exported 3,302 MT of mandarins to the world, an increase of 12.5 percent from the previous year. The majority of Japanese exports (2,538 MT) were shipped to Canada. The rest were destined for Asian countries. With robust global demand for mandarins/tangerines and a concerted effort by the Government of Japan to promote exports of Japanese agricultural products overseas, Post expects Japanese exports to increase slightly to 3,500 MT in MY 2015/16.

Effective November 26, 2014, the United States removed certain restrictions on mandarin imports from Japan. The major changes were 1) removing requirements for fruit to be grown in specified canker-free export areas with buffer zones, and 2) removing requirements for joint inspection in groves and packinghouses by MAFF and the USDA Animal and Plant Health Inspection Service. For further information, please refer to the Federal Register notice (<https://www.federalregister.gov/articles/2014/10/27/2014-25469/importation-of-fresh-unshu-oranges-from-japan-into-the-united-states>).

These changes will make U.S. import regulations for mandarins from Japan consistent with U.S. domestic regulations for the interstate movement of citrus fruit from areas quarantined due to citrus canker. Despite these regulatory changes, Japan exported only two MT of Unshu mandarins to the United States in MY2014/15, and for MY2015/16, Post expects Japanese exports to the United States to remain at the same level as industry continues to grapple with implementation of the modified import regime put in place a year ago.

## Prices

## Japan: Fresh “Unshu mikan” Prices - Wholesale, Retail

Wholesale Prices*		Retail Prices**	
2014/15	(Yen/kg)	2014/15	(Yen/kg)
October	147	October	501
November	171	November	493
December	200	December	510
January	213	January	590
February	212	February	600
March	214	March	656
April	....	April	...
May	....	May	...
June	....	June	...
July	....	July	...
August	....	August	...
September	250	September	735

Source: MAFF

Source: MIC

\* Wholesale prices are average wholesale prices at the major wholesale markets. (Seikabutsu Ryutsu Tokei)

\*\* Retail prices are average retail prices in the Metro Tokyo area.

## Policy

### The Japan-Mexico Economic Partnership Agreement (EPA):

The Japan-Mexico EPA has been in effect since April 1, 2005. Under this EPA, Mexican mandarins were excluded from tariff reductions. Hence, imports of Mexican mandarins face Japan’s WTO tariff rate of 17 percent.

### The Japan-Australia Economic Partnership Agreement (EPA):

The Japan-Australia Economic Partnership Agreement has been in effect since January 15, 2015. Under this EPA, the tariff on fresh Australian mandarins is 14.9 percent in Japanese fiscal year (JFY: April – March) 2015.

## Import Duties:

### Japan: Import Duties 2015

Tariff Code (HS)	Description	Duty Rate (%)*
0805.20-000	Fresh Mandarins (including tangerines), Clementines, Wilkings, and similar citrus hybrid	17%

Source: Japan’s Customs Tariff Schedules for 2014

\* all duties are charged on a CIF basis

## Grapefruit

Grapefruit, Fresh Market Begin Year Japan	2013/2014		2014/2015		2015/2016	
	Oct 2013		Oct 2014		Oct 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total No. Of Trees	0	0	0	0	0	0
Production	0	0	0	0	0	0
Imports	109	111	100	100	0	90
Total Supply	109	111	100	100	0	90
Exports	0	0	0	0	0	0
Fresh Dom. Consumption	109	111	100	100	0	90
For Processing	0	0	0	0	0	0
Total Distribution	109	111	100	100	0	90

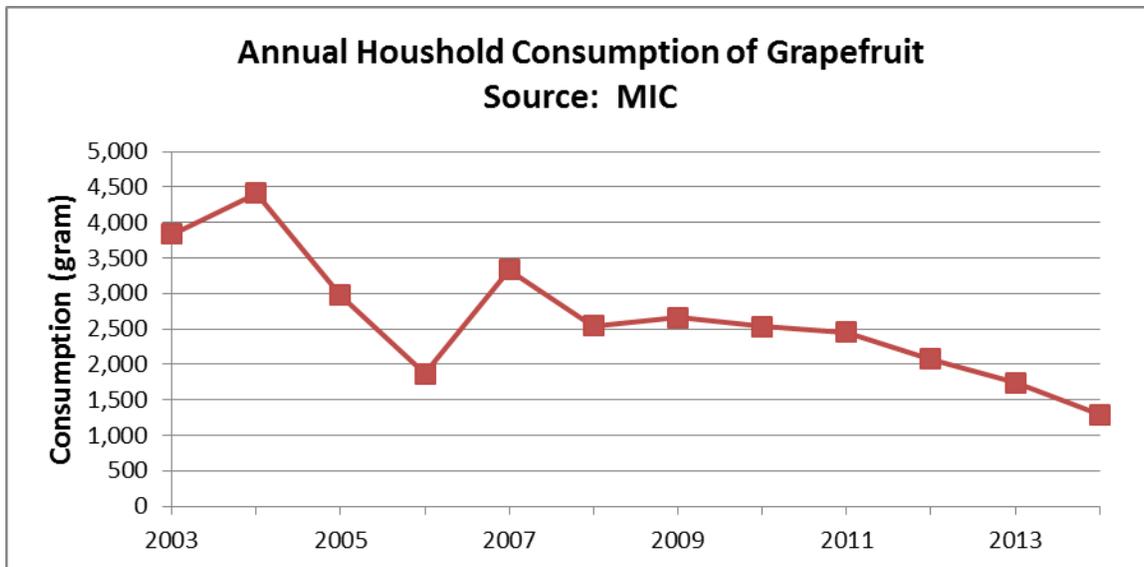
(HECTARES) ,(1000 TREES) ,(1000 MT)

## Production

Japan does not produce grapefruit.

## Consumption

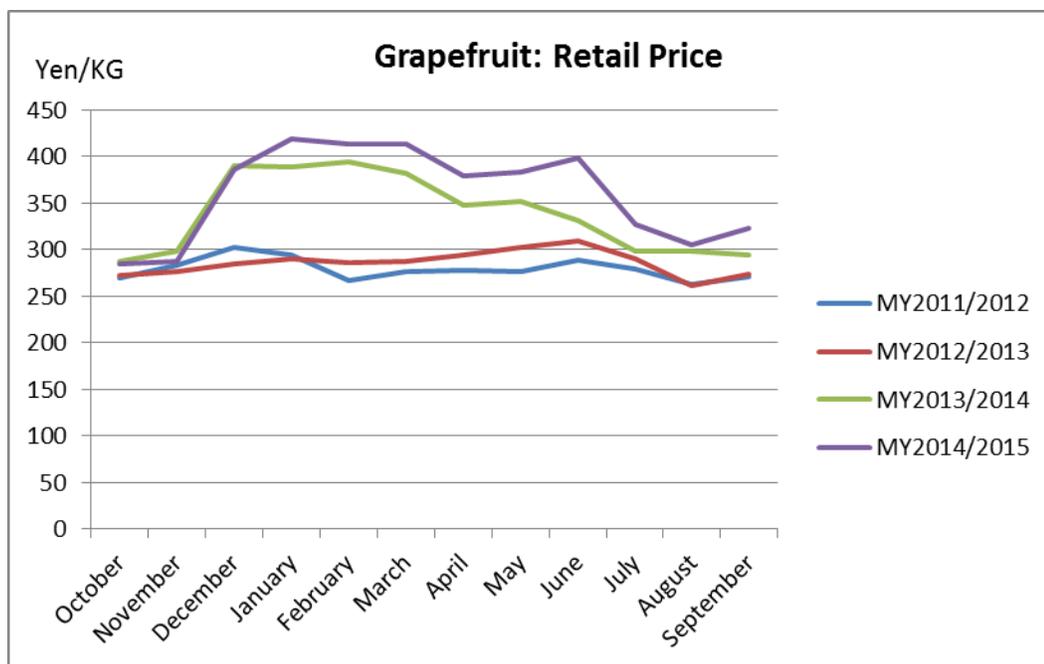
According to the latest available data from MIC, in 2013, Japanese annual consumption of grapefruit dropped 30 percent from the previous year to 1,289 grams per household. Grapefruit consumption has declined by over 70 percent since hitting its peak in 2004, when the mass media widely reported on the potential weight loss effect of consuming grapefruit. Retailers supported sales at that time by conducting numerous special promotions with point-of-sale materials. Consumption spiked again in 2007 when the media once again reported on the positive effects of grapefruit consumption - this time focusing on the benefits of grapefruit fragrance for beauty and relaxation.



\*Note: “Household” consists of two or more persons per household.

Despite such periodic jumps in consumption, it has followed a downward trend for much of the last decade. One of the underlying factors at root of the continued decline in consumption is the reported negative side-effects of grapefruit consumption for people who take certain medications, particularly hypertension drugs. As Japan’s population continues to age at an increasing rate, and the number of hypertension patients is expected to grow, Japanese grapefruit consumption is expected to struggle in the years to come. Another reason for the decline in consumption is due to the preference of younger consumers for sweeter, rather than bitter, products. Additionally, consumers tend to prefer fruit that is easy to eat, and peeling fruit is perceived as a nuisance.

As shown in the graph below, the retail price of grapefruit in MY2013/14 and MY2014/15 jumped from the previous years, due mainly to the weak yen compared to the U.S. dollar. High retail prices contributed to the decline in consumption, and if the price remains high in MY2015/16, Post expect the consumption will continue to decrease.



Source: MIC

## Trade (Imports)

### Japan: Imports of Fresh Grapefruit

Marketing year: October-September / Quantity in metric tons

	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14	MY 2014/15
<b>World</b>	167,081	149,145	133,682	111,116	99,776
United States	108,199	96,438	78,580	60,022	51,899
<i>Market share:</i>	65%	65%	59%	55%	52%
South Africa	53,793	47,748	50,457	48,113	43,973
Israel	3,492	2,850	3,120	2,646	1,501
Swaziland	888	0	0	0	0
Turkey	465	1,639	1,520	333	2,185
Mexico	93	42	0	0	200
Australia	90	386	0	0	9
All other	62	42	5	2	9

Source: Global Trade Atlas

## CIF Price of Imported Fresh Grapefruit

Country	Unit Value (USD/MT)				
	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14	MY 2014/15
United States	1,158	1,183	1,232	1,249	1,276
South Africa	979	1,079	800	791	730
Israel	1,301	1,431	1,335	1,264	1,193
Turkey	1,086	988	1,019	1,129	1,029

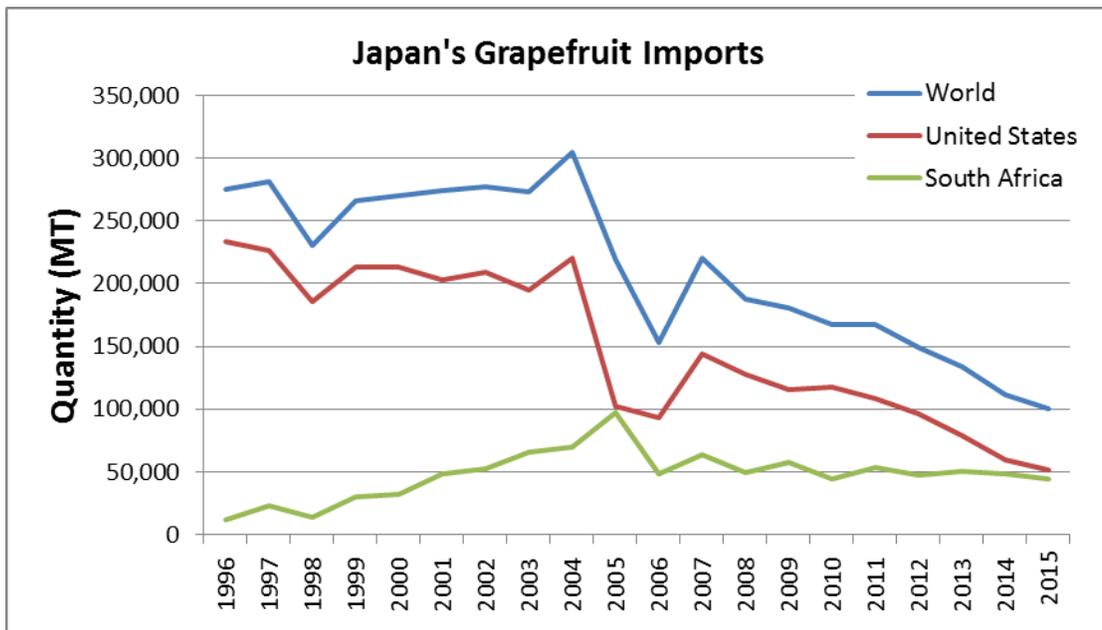
Source: *Global Trade Atlas*

After peaking in MY2004/05, Japanese total grapefruit imports continued on a downward trend through MY2014/15.

The United States is the largest supplier of fresh grapefruit to Japan, supplying 52 percent of total Japanese imports. In MY2014/15, the United States supplied 51,899 MT of grapefruit, down 14 percent from the previous year. This decline is attributed to the increase in the CIF price, exacerbated by the weakened yen compared to the dollar. Grapefruit from Florida accounts for about 90 percent of U.S. grapefruit shipments to Japan. According to the Florida Department of Citrus, the new MY2015/16 harvest is expected to decrease by four percent due to citrus greening disease. Given this decrease in production, industry sources anticipate that MY2015/16 Japanese imports of Florida grapefruit will also decrease, as tighter supplies will sustain higher price pressure.

California is also an important supplier of grapefruit to Japan, ensuring constant supplies between the Florida and South African grapefruit shipping seasons. California usually ships “Star Ruby” grapefruit to Japan during the spring time and “Summer Ruby” grapefruit in the fall. Japanese trade sources state that they appreciate the quality of California grapefruit and note that it provides them with steady business, particularly in May and June.

Additionally, the red/ruby grapefruit variety from Texas caters to Japan during the winter months. Industry sources indicate that imports of Texas grapefruit may fluctuate depending on the availability of Florida grapefruit, which consumers prefer for its juiciness.



Source: Global Trade Atlas

South Africa is the second largest exporter of grapefruit to Japan, accounting for approximately 44 percent of Japan’s total imports. In MY2014/15, Japanese imports of South African grapefruit decreased by five percent, to 43,973 MT, similar to the import volume average of the previous four years. As South African grapefruit is available in Japan between June and October, before the arrival of Florida grapefruit, it does not compete directly with the vast majority of U.S. grapefruit. Industry sources anticipate that MY2015/16 imports from South Africa will be roughly equal to the MY2014/15 for a year-round supply.

Following the removal of Japan’s import ban on Turkish grapefruit in 2010, Turkey has been shipping grapefruit to Japan for the last four seasons as a cheaper alternative to U.S. grapefruit. During MY2014/15, Japan imported 2,185 MT of Turkish grapefruit, an increase of 556 percent from MY2013/14. Post expects imports will continue to be robust if consumers are satisfied with the flavor and price of Turkish grapefruit.

Given the seasonality of Japanese grapefruit imports and the dominance of Florida in the mix of imports from the United States, Post estimates that reduced Florida production and associated upward price pressures will drag total Japanese grapefruit imports down ten percent in MY2015/16 to 900,000 MT.

**Prices:**

**Japan: Fresh Grapefruit Prices - Import, Wholesale, Retail**

<b>Import CIF Prices*</b>		<b>Wholesale Prices**</b>		<b>Retail Prices***</b>	
2014/15	(US \$/KG)	2014/15	(Yen/KG)	2014/15	(Yen/KG)
October	0.88	October	115	October	285
November	1.30	November	147	November	288
December	1.26	December	214	December	386
January	1.28	January	222	January	419
February	1.25	February	221	February	413
March	1.25	March	217	March	414
April	1.26	April	219	April	380
May	1.10	May	209	May	383
June	0.84	June	177	June	398
July	0.78	July	158	July	327
August	0.75	August	151	August	306
September	0.75	September	145	September	323

*Source: GTA*

*Source: MAFF*

*Source: MIC*

\* Import prices are average import CIF prices.

\*\* Wholesale prices are average wholesale prices at the major wholesale markets. (Seikabutsu Ryutsu Tokei)

\*\*\* Retail prices are average retail prices in the Metro Tokyo area.

**Policy**

**The Japan-Mexico Economic Partnership Agreement (EPA)**

The Japan-Mexico EPA has been in effect since April 1, 2005. On April 1, 2011 Japanese duties on Mexican grapefruit were fully eliminated. Tariff concessions under the Japan/Mexico EPA agreement can be found at the following website:

<http://www.mofa.go.jp/region/latin/mexico/agreement/index.html>

**The Japan-Australia Economic Partnership Agreement (EPA):**

The Japan-Australia Economic Partnership Agreement has been in effect since January 15, 2015. Under this EPA, the tariff on fresh Australian grapefruit is 6.7 percent in JFY2015.

**Import Duties:**

**Japan: Import Duties 2015**

Tariff Code (HS)	Description	Duty Rate (%)*
0805.40-000	Fresh grapefruit	10%

*Source: Customs Tariff Schedules of Japan*

\* all duties are charged on a CIF basis

**Orange**

Oranges, Fresh Market Begin Year Japan	2013/2014		2014/2015		2015/2016	
	Oct 2013		Oct 2014		Oct 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	470	470	460	420	0	400
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total No. Of Trees	0	0	0	0	0	0
Production	6	6	6	5	0	5
Imports	87	87	85	83	0	82
Total Supply	93	93	91	88	0	87
Exports	0	0	0	0	0	0
Fresh Dom. Consumption	93	93	91	88	0	87
For Processing	0	0	0	0	0	0
Total Distribution	93	93	91	88	0	87
(HECTARES) ,(1000 TREES) ,(1000 MT)						

## Production

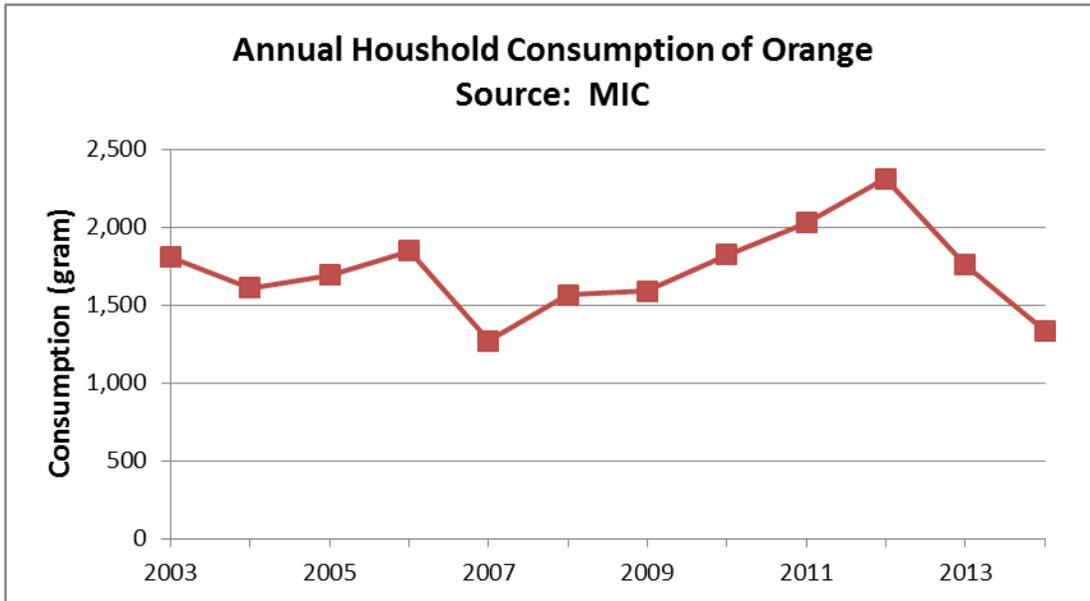
Japan produces a small amount of oranges, with the majority being navel, plus small amounts of Valencia and Tarocco. The National Fruit Production and Shipment Stabilization Association estimates production of navel oranges to be 4,895 MT in 2015, down four percent from the previous year and down 12 percent from 2013.

Japanese farmers continue to shift production to other citrus varieties, in particular those harvested between December and May, the same harvest period as oranges. For MY2015/16, Post estimates Japanese production of oranges will decrease slightly to 4,600 MT, mostly a result of a decrease in growing area, to approximately 400 HA.

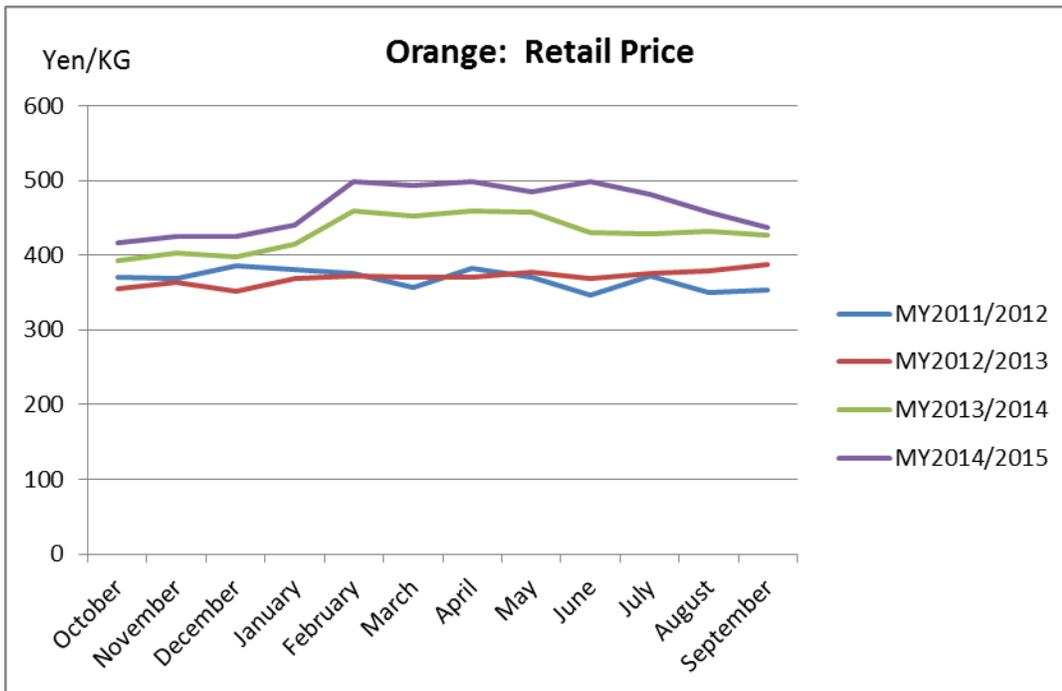
## Consumption

After five years of steady growth, Japanese annual consumption of oranges decreased 24 percent per year in 2013 and 2014. The primary reason for this decline was an increased CIF price caused by the weakened yen and thus higher retail prices as shown in the graph below. Another factor was the increased competition of other and new fruit varieties. In particular, as a result of the increased retail price, imported oranges lost price competitiveness compared to domestic *Chubankan*.

Fruit is not considered a staple food in Japan but often is eaten as a dessert, and therefore competes with other snacks or confectionaries. Additionally, according to industry sources, several decades of slow economic growth have caused Japanese consumers to become more price-sensitive and therefore more aware of cheaper imported fruit. As mentioned in the Tangerines/Mandarins section, the Japanese industry is encouraging people to eat more fruit by introducing ready-to-eat fruit such as cut fruit in a cup. Given consumer preference for convenience, an industry source expects cut fruit consumption has growth potential, particularly for oranges, because they are usually included in a fruit cut assortment, can be supplied year-round, and are firm enough for machine processing. Although a steady demand for cut fruit is forecast to continue, Post expects overall Japanese orange consumption to decrease slightly in MY2015/16 if the retail price remains high.



\*Note: "Household" consists of two or more persons per household.



Source: MIC

## Trade (Imports)

### Japan Imports of Fresh Oranges

Marketing year: October-September / Quantity in metric tons

	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14	MY2014/15
<b>World</b>	<b>119,652</b>	<b>126,941</b>	<b>112,913</b>	<b>86,877</b>	<b>83,023</b>
United States	81,360	96,737	74,795	54,361	52,257
Market share:	68%	76%	66%	63%	63%
Australia	28,822	24,970	34,510	26,376	25,079
South Africa	7,934	4,875	3,096	5,769	4,843
Chile	1,238	101	0	0	24
New Zealand	261	258	474	371	148
Mexico	0	0	0	0	670
All other	37	0	38	0	2

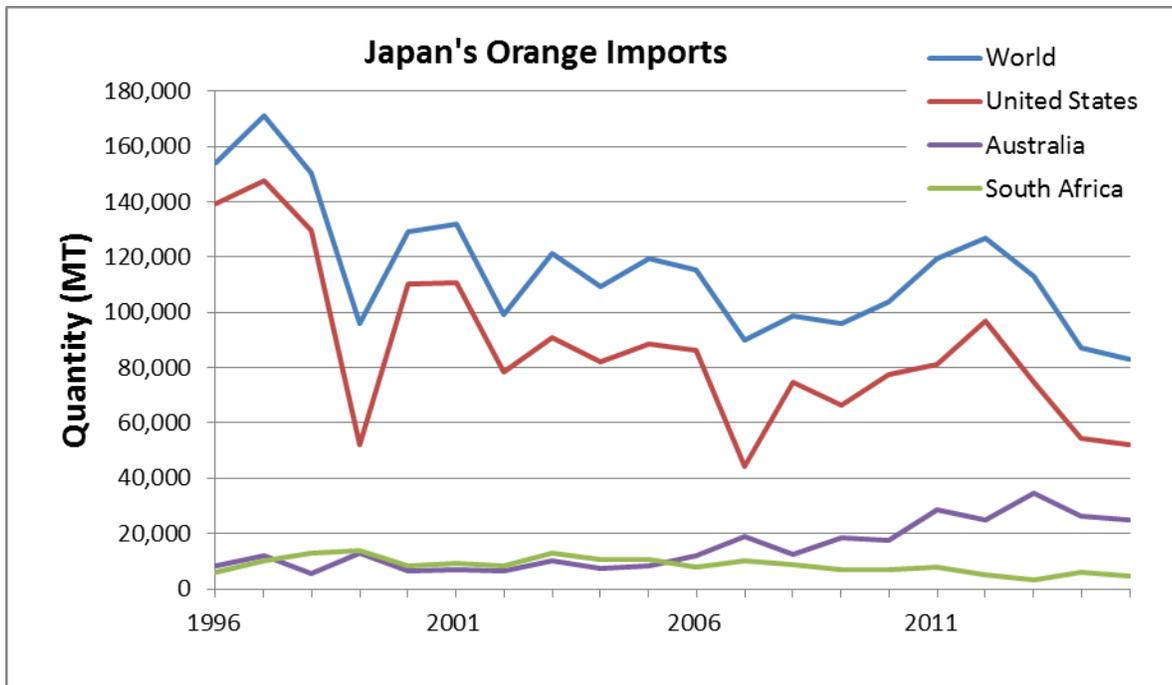
Source: Global Trade Atlas

### CIF Price of Imported Fresh Oranges

Country	Unit Value (USD/MT)				
	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14	MY 2014/15
United States	1,147	1,203	1,152	1,449	1,354
Australia	1,355	1,290	1,186	1,290	1,144
South Africa	945	940	807	853	785

Source: Global Trade Atlas

Imports have declined steadily since MY2012/13. This trend continued in MY2014/15, with imports declining four percent compared to the previous year, to 83,023 MT, primarily due to a weakened yen. Post expects this decline to continue in MY2015/16 if the CIF price of U.S. oranges remains high. The United States is the largest supplier of fresh oranges to Japan, accounting for 63 percent of import market share. Countries such as Australia and South Africa are also important players in this market. These other countries export oranges to Japan from July through November, when U.S. orange shipments are relatively low. An expected recovery in orange production in California and good orange harvest in Australia is anticipated to result in a lower CIF price, but not enough to reverse the downward trend in consumption. Post estimates that the level of Japanese imports of fresh oranges will decrease slightly to 82,000 MT in MY2015/16.



Source: Global Trade Atlas

Japan's imports of fresh oranges from the United States have declined since MY2012/13. Post attributes this decline to three factors: 1) the exchange rate adjustment; 2) the prolonged harvest/season, due to favorable weather conditions, of Japan's domestic mid-late-season citrus, *Chubankan*; and 3) the increased availability of other fruit in season, such as Unshu mandarins and apples, which led to a delay in the start of imports of California oranges. Since Japanese retailers' shelf space is limited, many choose to sell Unshu mandarins and apples until they are out of season before displaying the initial shipment of California oranges. Australian navel oranges enjoy a good reputation among Japanese traders, and Post expects imports of Australian oranges to continue to be robust as they are supplied during the Northern Hemisphere's off-season.

Exports of South African oranges to Japan decreased 16 percent, to 4,843 MT, in MY2014/15. Although South African oranges are not very sweet and are rather acidic in taste compared to U.S. and Australian oranges, imports of South African fruit have remained steady due to their significantly cheaper price (see CIF Price table shown above). Additionally, South African oranges are mostly sold during the summer, and under high temperatures, the acidity is perceived as refreshing rather than overly tart. Post expects that imports of South African oranges will remain flat in MY2015/16 due to their competitive price.

## Prices:

**Japan: Fresh Orange Prices - Import, Wholesale, Retail**

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<b>Import CIF Prices*</b>		<b>Wholesale Prices**</b>		<b>Retail Prices***</b>	
2014/15	(US \$/KG)	2014/15	(Yen/KG)	2014/15	(Yen/KG)
October	1.13	October	209	October	417
November	1.21	November	228	November	425
December	1.29	December	250	December	425
January	1.48	January	296	January	441
February	1.55	February	301	February	498
March	1.57	March	288	March	494
April	1.57	April	280	April	499
May	1.42	May	280	May	484
June	1.33	June	268	June	499
July	1.34	July	258	July	481
August	1.20	August	244	August	457
September	1.13	September	227	September	437

*Source: GTA*                      *Source: MAFF*                      *Source: MIC*

\* Import prices are average import CIF prices.

\*\* Wholesale prices are average wholesale prices at the major wholesale markets. (Seikabutsu Ryutsu Tokei)

\*\*\* Retail prices are average retail prices in the Metro Tokyo area.

## Policy:

### **The Japan-Mexico Economic Partnership Agreement (EPA):**

The Japan-Mexico EPA has been in effect since April 1, 2005. Under this agreement, various Mexican agricultural products, including fresh oranges, enter Japan at a reduced import duty. In MY2011/12, Japan and Mexico renegotiated tariff concessions granted under the EPA. In the case of Mexican oranges, Japan increased the in-quota volume and extended tariff reductions to Mexico's seasonal preferential tariff-quota. Since April 2015, in-quota imports of Mexican oranges (up to 4,100 MT) enjoy a tariff of 5.6 percent when imported between June 1 and November 30, and a tariff of 11.2 percent when imported from December 1 to May 31. In-quota tariffs are scheduled to lower gradually until 2016 to 5.0 percent and 10 percent, respectively. Out-of-quota imports of Mexican oranges face the WTO tariff rates shown below. Although the majority of Mexican orange exports are traditionally shipped to nearby markets, in MY2014/15, under these lower tariff rates, 670 MT of Mexican fresh oranges were imported into Japan for the first time after a five-year absence, as. The Japan-Mexico EPA agreement can be found at the following website:

<http://www.mofa.go.jp/region/latin/mexico/agreement/index.html>

### **The Japan-Australia Economic Partnership Agreement (EPA):**

The Japan-Australia Economic Partnership Agreement has been in effect since January 15, 2015. Under this EPA, the tariff on fresh Australian oranges imported between June 1<sup>st</sup> and September 30 is 13.1 percent in JFY2015.

## Import Duties:

### **Japan: Import Duties 2015**

Tariff Code (HS)	Description	Duty Rate (%)*
0805.10-000	Fresh oranges, imports during December 1 - May 31	32%
	Fresh oranges, imports during June 1 - November 30	16%

Source: Customs Tariff Schedules of Japan

\* all duties are charged on a CIF basis

## Orange Juice

Orange Juice Market Begin Year	2013/2014		2014/2015		2015/2016	
	Oct 2013		Oct 2014		Oct 2015	
Japan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors	0	0	0	0	0	0
Beginning Stocks	15451	15451	10672	10672	0	17182
Production	0	0	0	0	0	0
Imports	63221	63221	62000	74010	0	65000
Total Supply	78672	78672	72672	84682	0	82182
Exports	0	0	0	0	0	0
Domestic Consumption	68000	68000	65000	67500	0	67000
Ending Stocks	10672	10672	7672	17182	0	15182
Total Distribution	78672	78672	72672	84682	0	82182

(MT)

\* Production, Consumption, and Stocks measured in metric tons at a 65 Brix equivalent.

## Production

Japanese production of orange juice is negligible, as almost all Japanese oranges are sold fresh.

## Consumption

According to the Soft Drink Association of Japan, consumption of fruit juice based beverages in Japan had been trending up since 2009, but decreased in 2014. Data for fruit juice based beverages include all fruit - such as oranges, apples, pineapples, grapes, and grapefruits - carbonated and non-carbonated juice, and various percentage fruit content, from less than 5 percent to 100 percent. Consumption decreased in two beverage categories: 1) fruit juice content of over 10 percent but less than 50 percent; and 2) 100 percent fruit juice. There is no data available for consumption or production of orange juice or beverages using orange juice. However, industry sources indicate that consumption of 100 percent orange juice has staggered, following a general trend of decline in consumption of 100 percent fruit juices. Consumption of beverages using Frozen Concentrated Orange Juice (FCOJ) has been robust, but not enough to reverse the downward trend in the overall FCOJ demand in Japan, as use has shifted from 100 percent orange juice to beverages with lower juice content, such as carbonated fruit juice beverages. Additionally, industry sources state that Japanese preferences towards vegetable juices, tea, and “zero-

calories” and “no sugar” drinks have been increasing in recent years. Correspondingly, Post expects Japanese consumption of orange juice to decrease slightly in the near term.

Japan’s Per Capita Consumption of Beverages in Milliliters (shown as calendar

	2009	2010	2011	2012	2013	2014
Fruit juice based*	13,494	14,452	15,311	17,759	18,245	17,610
Vegetable beverages	3,627	3,953	3,980	4,424	4,527	4,441
Tea	40,821	41,837	41,129	42,597	43,152	43,141
Bottled mineral water	16,385	16,391	20,208	21,864	22,509	22,957

year)  
\*Note: Includes all kinds of fruit, carbonated and non-carbonated juice, and various fruit concentration beverages.

Source: Soft Drink Association of Japan

## Trade (Imports)

### Japan: Imports of Orange Juice

Marketing year: October-September / Quantity in metric tons (at 65 Brix)

	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14	MY 2014/15
<b>World</b>	<b>87,142</b>	<b>81,550</b>	<b>65,451</b>	<b>63,221</b>	<b>74,010</b>
United States	1,579	485	572	576	611
Market share:	2%	1%	1%	1%	1%
Brazil	73,717	70,375	52,479	49,339	60,071
Mexico	4,635	3,806	7,155	8,624	7,831
Israel	1,673	1,838	1,599	1,693	1,394
Belize	3,438	2,562	1,203	890	75
Italy	654	611	1,093	791	960
Costa Rica	431	827	604	458	290
Spain	341	483	310	376	2,407
Australia	246	212	191	179	152
All other	427	349	244	296	219

Source: Global Trade Atlas

\* Imports of orange juice are the sum of imports for HS codes 2009.11, 2009.12, and 2009.19.

\*\* Global Trade Atlas provides Japanese import statistics for orange juice in kiloliters only. Hence, the following factors are used to convert from kiloliters to metric tons at a 65 Brix equivalent: For concentrated orange juice (FCOJ) 2009.11-290 (frozen) and 2009.19-290 (non-frozen), kiloliter is multiplied by 1.3154 to get metric ton, and for single strength orange juice 2009.11-210 (frozen),

*2009.12-110 (non-frozen), and 2009.12-210 (non-frozen), kiloliter is multiplied by 0.1897 to get metric ton at a 65 Brix equivalent.*

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In MY2014/15, Japan's total imports of orange juice increased 17 percent from the previous season to 74,010 MT (on a 65 Brix equivalent). This was the result of a 22 percent increase in orange juice imports from Brazil, the largest supplier, which traditionally supplies about 80 percent of Japan's total imports. As a result of a slightly lower CIF price for Brazilian orange juice in MY2014/15 and strong global demand in recent years, industry reportedly worked to secure supplies through the use of long term advance contracts, contributing to this increase in imports from Brazil.

The year-on year decrease in Florida orange production contributed to an increase in the CIF price of Japanese imports of U.S. orange juice. In MY2014/15, Japan's imports of U.S. orange juice was 611 MT (on a 65 Brix equivalent), a slight increase from the previous year's level of 576 MT.

Japan's imports of Mexican orange juice had been growing dramatically since the implementation of the Mexico-Japan EPA in 2005, under which Mexico continues to enjoy a significant advantage over other FCOJ suppliers (see policy section). However, Japan's imports of Mexican FCOJ in MY2014/15 decreased to 7,831 MT (on a 65 Brix equivalent) from 8,624 MT in the previous year due to a decline in orange juice production in Mexico.

Orange juice imports from Spain increased significantly in MY2014/15 due to its competitive CIF price as shown in the table below.

High world orange juice prices are expected to continue due to low Brazilian FCOJ stocks, as well as increasing demand from developing countries. For MY2015/16, Post forecasts total Japanese imports of orange juice to decrease to 65,000 MT (on a 65 Brix equivalent) due to sluggish domestic consumption and the estimated relatively high stock levels.

## **Prices (Orange Juice)**

## Japan: Average import price of FCOJ (HS code: 2009.11-290)

Marketing year: October-September

Price in U.S. Dollar (CIF) per kilogram at a 65 Brix equivalent

	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14	MY 2014/15
United States	2.76	3.56	3.18	2.97	3.05
Brazil	2.52	2.75	2.35	2.24	2.14
Mexico	2.78	2.98	2.65	2.4	2.41
Spain	-	-	-	-	1.95

Source: Global Trade Atlas

## Policy

### Japan-Mexico Economic Partnership Agreement (EPA):

The Japan-Mexico EPA has been in effect since April 2005. Under this agreement, various agricultural products, including orange juice, enter Japan at a reduced import duty. Japan granted Mexico preferential tariff-quotas on all orange juice line items with in-quota duties slashed by half. As a result, Mexico has continued to enjoy a preferential tariff-quota since the first year of the EPA's implementation.

In MY2011/12, Japan and Mexico renegotiated tariff concessions granted under the 2005 EPA. As a result, Japan extended the quota provisions and accelerated tariff reductions for Mexican orange juice starting in April 2012. As of April 2015, in-quota imports of Mexican orange juice enjoy a tariff rate of either: 1) 6.3 percent; 2) 7.5 percent; or 3) 8.9 percent or 6.8 yen per kilogram, whichever is greater, depending on the tariff code.

The quota for Mexican FCOJ (HS 2009.11 and 2009.19), set in 2012 at 6,360 MT, is scheduled to expand by 160 MT each year (6,840 MT in JFY2015), reaching 7,000 MT in JFY2016. The quota for orange juice other than FCOJ (HS 2009.12), set at 2,200 MT in 2012, is scheduled to expand by 700 MT each year (4,300 MT in JFY2015) until it reaches 5,000 MT in JFY2016. Depending on the tariff code, the in-quota tariff rate will be lowered to either: 1) 5.3 percent; 2) 6.3 percent; or 3) whichever is greater of 7.4 percent or 5.7 yen per kilogram.

As shown in the below chart, depending on the tariff code, out-of-quota imports of Mexican orange juice face the WTO tariff rate of either: 1) 21.3 percent; 2) 25.5 percent; or 3) whichever is greater of 29.8 percent or 23 yen per kilogram.

Tariff concessions under the Japan-Mexico EPA agreement can be found at the following website:

<http://www.mofa.go.jp/region/latin/mexico/agreement/index.html>

### **The Japan-Australia Economic Partnership Agreement (EPA):**

The Japan-Australia Economic Partnership Agreement has been in effect since January 15, 2015. Under this EPA, Japan granted Australia preferential tariff quotas on all orange juice line items with reduced tariffs. Between JFY2015 and JFY2024, the annual quota is set at 1,300 MT and in-quota tariff rates are set below.

### **Import Duties (Orange Juice):**

**Japan: Import Duties 2015**

Tariff Code (HS)	Description	WTO Duty Rate (%)*	EPA Mexico Rate (%)*	EPA Australia Rate (%)*
2009.11-110	Orange juice, frozen, containing added sugar, not more than 10% by weight of sucrose, naturally and artificially contained	25.5%	7.5%	12.8%
2009.11-190	Orange juice, frozen, containing added sugar, other	29.8% or 23 yen/kg, whichever is the greater	8.9% or 6.8yen/kg, whichever is the greater	14.9% or 11.5yen/kg, whichever is the greater
2009.11-210	Orange juice, frozen, not containing added sugar, not more than 10% by weight of sucrose	21.3%	6.3%	10.7%
2009.11-290	Orange juice, frozen, not containing added sugar, other	25.5%	7.5%	12.8%
2009.12-110	Orange juice, not frozen, of a Brix value not exceeding 20, containing added sugar, not more than 10% by weight of sucrose, naturally and artificially contained	25.5%	7.5%	12.8%
2009.12-190	Orange juice, not frozen, of a Brix value not exceeding 20, containing added sugar, other	29.8% or 23 yen/kg, whichever is the greater	8.9% or 6.8 yen/kg, whichever is the greater	14.9% or 11.5yen/kg, whichever is the greater
2009.12-210	Orange juice, not frozen, of a Brix value not exceeding 20, not containing added sugar, not more than 10% by weight of sucrose	21.3%	6.3%	10.7%
2009.12-290	Orange juice, not frozen, of a Brix value not exceeding 20, not containing added sugar, other	25.5%	7.5%	12.8%
2009.19-110	Orange juice, other, containing added sugar, not more than 10% by weight of sucrose, naturally and artificially contained	25.5%	7.5%	12.8%
2009.19-190	Orange juice, other, containing added sugar, other	29.8% or 23 yen/kg, whichever is the greater	8.9% or 6.8 yen/kg, whichever is the greater	14.9% or 11.5yen/kg, whichever is the greater
2009.19-210	Orange juice, other, not containing added sugar, not more than 10% by weight of sucrose	21.3%	6.3%	10.7%
2009.19-290	Orange juice, other, not containing added sugar, other	25.5%	7.5%	12.8%

Source: Customs Tariff Schedules of Japan

\* all duties are charged on a CIF basis

**Lemon**

Lemons/Limes, Fresh	2013/2014	2014/2015	2015/2016
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Market Begin Year Japan	Oct 2013		Oct 2014		Oct 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	498	498	500	500	0	500
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total No. Of Trees	0	0	0	0	0	0
Production	10	10	10	10	0	10
Imports	51	49	50	49	0	50
Total Supply	61	59	60	59	0	60
Exports	0	0	0	0	0	0
Fresh Dom. Consumption	58	59	57	56	0	57
For Processing	3	0	3	3	0	3
Total Distribution	61	59	60	59	0	60

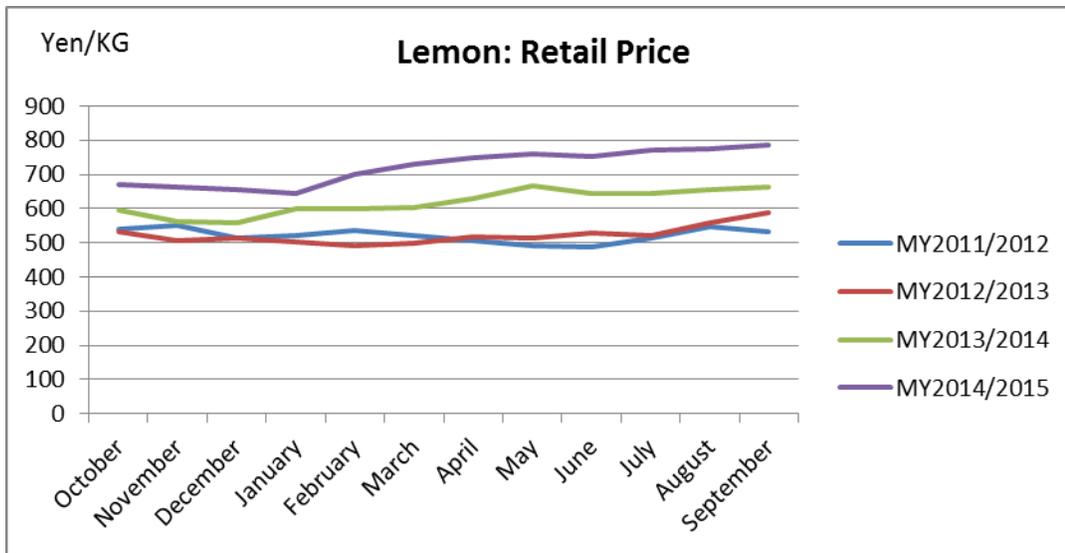
(HECTARES) ,(1000 TREES) ,(1000 MT)

## Production

Unlike other citrus farms in Japan, the area harvested for Japanese lemons has been growing steadily over the last decade as Japanese growers respond to increased consumer preference for local lemons. Media reports record production of 6,310 MT in 2015 in Hiroshima Prefecture, which accounts for about 60 percent of the national production. However, with an estimated slight decline in production in Ehime Prefecture, the second largest production area, Post anticipates that in MY2015/16, Japan's lemon harvest area will remain at 500 hectares, with production volume also remaining consistent at 10,000 MT.

## Consumption

Fresh lemons in Japan are largely consumed by the food service sector as a garnish or as a food and beverage ingredient. In the past, overall consumption of lemons decreased significantly as the Japanese economy struggled, and hotels and restaurants tried to cut costs by not using fresh lemons as a garnish or by replacing them with lemon juice. However, such cost-cutting efforts reached a plateau several years ago, and consumption has been stable ever since. For MY2015/16, Japan's total consumption of lemons is estimated at 60,000 MT, with the domestic share rising to 17 percent, or 10,000 MT. Domestic lemon producers have aggressively promoted the freshness of their produce, as well as introducing some recipes on-line, and these efforts have slowly increased consumer demand. Additionally, domestic lemon producers have been targeting safety-cautious consumers by advertising their produce as free of postharvest agrochemicals. The Japanese Government classifies agrochemicals used in postharvest as food additives and, as a result, requires treated produce to be noted at the point-of-sale with a list of the agrochemicals used. No such requirements apply when the same chemicals are used pre-harvest. Japanese farmers have not traditionally utilized post-harvest treatments of agrochemicals; therefore, domestic lemons are not required to carry the label. Although other imported citrus items are subject to the same requirement, this point-of-sale notice is not a major deterrent to sales. However, as lemon skin is often eaten, or touches food and beverages that are directly consumed (e.g. lemon tea), some consumers are cautious about purchasing imported lemons.



Source: MIC

## Trade (Imports)

### Japan: Imports of fresh lemon

Marketing year: October-September / Quantity in metric tons

	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14	MY2014/15
<b>World</b>	<b>55,466</b>	<b>53,056</b>	<b>48,895</b>	<b>49,121</b>	<b>49,323</b>
United States	35,634	34,854	34,806	32,916	30,519
<i>Market share:</i>	64%	66%	71%	67%	62%
Chile	16,216	15,295	12,164	14,376	16,724
Mexico	2,199	1,565	1,106	593	635
New Zealand	1,024	767	555	819	866
South Africa	393	506	223	418	352
Australia	0	68	41	0	1
Turkey	0	0	0	0	227
All other	0	1	0	0	0

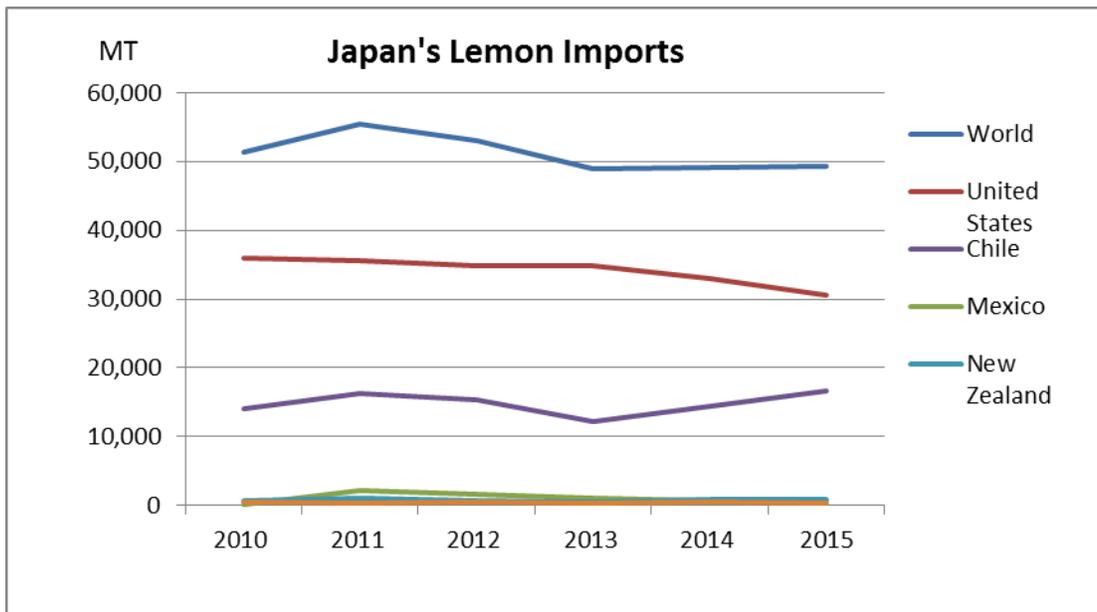
Source: Global Trade Atlas

### CIF Price of Imported Fresh Lemon

Country	Unit Value (USD/MT)				
	2011	2012	2013	2014	2015
United States	1,531	1,497	1,496	2,052	2,208
Chile	1,296	1,131	1,872	1,495	1,348
Mexico	931	1,325	1,287	1,964	1,666
New Zealand	2,154	2,223	1,962	2,036	2,013
South Africa	769	798	1,138	878	899
Australia	-	1,557	1,477	-	1,968
Turkey	-	-	-	-	1,349

Source: Global Trade Atlas

Consistent with the steady consumption that has existed over the last several years, Japan's imports of fresh lemons in MY2014/15 remained the same as previous year. For MY2015/16, Post expects Japanese imports of fresh lemons to hold steady at around 50,000 MT.



Source: Global Trade Atlas

The United States supplies fresh lemons to the Japanese market year round, providing on average 62 percent of Japan's total imports. In MY2014/15, imports of U.S. lemons decreased to nearly 31,000 MT as increased demand in the United States due to improved economy led to a rise in the CIF price. Among Japanese traders, U.S. fresh lemons enjoy a good reputation and are considered a high quality fruit. Post anticipates U.S. lemon sales to Japan in MY 2015/16 to recover slightly to 32,000 MT as production in California is expected to increase as a result of anticipated improved water supplies under El Nino.

Chile plays a major role in the Japanese summer fresh lemon market, supplying one third of Japan's total fresh lemon imports. Chile's new lemon crop is exported to Japan from June through October. Traders reportedly favor Chilean lemons because of their lower price and longer shelf-life

compared to U.S. lemons. In MY2014/15, Japanese traders increased their imports of Chilean lemons 16 percent from the previous year, mainly to cover the decrease in imports from the United States. For MY2015/16, with the expected increase in the U.S. lemon supply, Post estimates that imports from Chile will decrease slightly from the previous year's level.

In MY 2014/15, Japan imported 635 MT of Mexican lemons, down 15 percent from the previous season. Until MY2009/10, Mexican supplies under HS code 080550 consisted primarily of fresh limes. During MY2010/11, Mexico began supplying fresh lemons to the Japanese market following the purchase of Mexican lemon groves by an American company. One possible reason for this year's decline is that Mexico is reportedly still known more for limes as opposed to lemons. Post anticipates that imports of Mexican lemons will continue to be limited.

As stated above, the use of postharvest agrochemicals is a major concern for some consumers. In MY2014/15, imports from New Zealand increased to 866 MT. New Zealand lemons enter the market when Chilean and U.S. lemons are out of season. They are marketed as free of postharvest agrochemicals and sold at a premium price. Post anticipates New Zealand lemon sales to Japan will continue to hold steady.

## Prices:

### Japan: Fresh Lemon Prices - Import, Wholesale, Retail

Import CIF Prices*		Wholesale Prices**		Retail Prices***	
2014/15	(US \$/KG)	2014/15	(Yen/KG)	2014/15	(Yen/KG)
October	2.03	October	304	October	671
November	2.16	November	300	November	662
December	1.96	December	346	December	657
January	1.98	January	367	January	644
February	1.99	February	417	February	699
March	1.88	March	396	March	731
April	1.89	April	373	April	750
May	2.08	May	377	May	761
June	2.08	June	394	June	754
July	1.81	July	396	July	771
August	1.64	August	374	August	776
September	1.43	September	324	September	787

Source: GTA

Source: MAFF

Source: MIC

\* Import prices are average import CIF prices. (HS0805.50-010)

\*\* Wholesale prices are average wholesale prices at the major wholesale markets. (Seikabutsu Ryutsu Tokei)

\*\*\* Retail prices are average retail prices in the Metro Tokyo area.

## Policy

No changes occurred during the reporting period.

## Import Duties:

### Japan: Import Duties 2015

Tariff Code (HS)	Description	Duty Rate (%)*
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0805.50-010	Fresh Lemon	Free
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*Source: Customs Tariff Schedules of Japan*

*\* all duties are charged on a CIF basis*